

Congress of the United States
Washington, DC 20515

June 3, 2010

Mr. Edward DeMarco
Acting Director
Federal Housing Finance Agency
1700 G St., NW 4th Floor
Washington, DC 20552

Mr. Charles E. "Ed" Haldeman
President and CEO
Freddie Mac
8200 Jones Branch Dr MS 200
McLean, VA 22102

Mr. Michael J. Williams
President and CEO
Fannie Mae
3900 Wisconsin Ave, NW
Washington, DC 20016

Dear Mr. DeMarco, Mr. Haldeman and Mr. Williams:

It has been brought to our attention that on May 5th, Fannie Mae and Freddie Mac published "Lender Letters" containing guidance that could effectively eliminate Property Assessed Clean Energy (PACE) programs. PACE programs, which have been strongly supported by Vice President Biden and the Department of Energy, are a key element in our national policy priority to create a "green economy" – by dramatically reducing greenhouse gas emissions, creating green jobs and reducing consumers' utility bills. **The White House issued its White House PACE Policy Framework on October 18, 2009. We urge Fannie Mae and Freddie Mac to revise or rescind the Lender Letters to protect the PACE programs.**

While these letters will immediately affect nascent PACE programs across the country, the most serious impact will be felt in California, which instituted the PACE concept and is in the process of extending PACE programs to 70% of Californians by the end of 2010.

If this situation is not addressed immediately, the Fannie Mae and Freddie Mac Lender Letters will have the following consequences:

- Federally authorized and supported PACE programs across America will shut down, employees will be laid off, and our nation will lose the ability to tap an innovative new means to retrofit homes and buildings. **California PACE programs are currently operational in the City and County of San Francisco, Sonoma County, Placer County, Palm Desert and Yucaipa. Programs are set to launch in 2010 in the following jurisdictions: Los Angeles County, San Diego City, Alameda County, Fresno County, Kern County, Monterey County, Sacramento County, San Diego County, San Benito County, San Luis Obispo County, San Mateo County, Santa Barbara County, Santa Clara County, Santa Cruz County, Solano County, Ventura County.**

- A significant and troubling precedent will be set by allowing a government sponsored enterprise (GSE) to curtail the authority of local governments to levy taxes in pursuit of a public purpose. PACE programs utilize tax assessments, not loans. Special tax assessment districts are commonly used tools of local governments in California to fund everything from sidewalks to sewer systems. By law, these tax assessments have senior lien status to mortgages. If Fannie Mae and Freddie Mac are able to shut down PACE programs, 37,000 other special assessment districts in the United States may also be at risk.
- The Lender Letters will undoubtedly impact the relationship of homeowners and their lender to the detriment of the homeowner. This affects more than one thousand homeowners in California – in Sonoma County, Palm Desert and Berkeley.

PACE financing is an innovative means to create jobs, reduce energy bills and dramatically cut greenhouse gas emissions. It is estimated that capturing just 10% of potential greenhouse gas reductions through PACE could result in a 220 megaton cut in CO₂ emissions annually. Even modest implementation of PACE programs could create 160,000 green jobs in the United States. And because PACE-financed energy efficiency measures would cut consumers' utility bills, they would generate average homeowner savings of \$5,000-\$14,000 over the lifetime of the benefits.

The White House PACE Policy Framework was designed with the clear knowledge of the challenging times for homeowners, mortgage lenders, and the GSEs. The net result is that programs following White House best practices are designed to increase borrower strength while creating no significant risk for mortgage holders.

The Fannie Mae and Freddie Mac letters appear to assert that homeowners are in default of their mortgages if they finance energy improvements with PACE. These Lender Letters were particularly surprising since Federal, state, and local governments have engaged in a dialogue with lenders and other stakeholders over the past year to eliminate undue risk. Most programs are using federal ARRA funds and incorporating the White House Policy Framework – which help ensure that the borrower's cash flow increases so that mortgage default risk is reduced. Analysis of these programs has found that PACE financing creates less than \$200 of seniority risk per home for the GSE's.

We are prepared to work with you to help fulfill the promise of PACE, while protecting lenders and property owners.

Sincerely,



MIKE THOMPSON
Member of Congress



LYNN WOOLSEY
Member of Congress

Doris O Matsui

DORIS MATSUI
Member of Congress

Jim Costa

JIM COSTA
Member of Congress

Jackie Speier

JACKIE SPEIER
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